

CMP: Rs 700

Rating: Accumulate

Target Price: Rs 835

(NR-Not Rated)

Stock Info

INDEX	
BSE	540173
NSE	PNBHOUSING
Bloomberg	PNBHOU5I IN
Reuters	PNBH.BO
Sector	NBFC
Face Value (Rs)	10
Equity Capital (Rs cr.)	167
Mkt Cap (Rs cr.)	11,719
52w H/L (Rs)	1428/679
Weekly Avg Vol (BSE+NSE)	1,006,560

Shareholding Pattern

	%
(As on March, 2019)	
Promoters	32.8
DII	8.9
FII	18.9
Public & Others	39.4

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
PNB Housing	-27.1	-24.8	-47.5
SENSEX	3.4	7.5	7.3

Source: ACE Equity, Arihant Research

PNB Housing v/s SENSEX



Source: ACE Equity, Arihant Research

PNB Housing Finance (PNBHFL) came out with good set of numbers, ahead of our estimates. Profit for the quarter grew by 51% YoY to Rs 380 cr, driven by lower provisions and better than expected margins. NII for the quarter grew by 13% YoY to Rs 610 cr, led by strong advances growth of 30% YoY. NIM fell by 12 bps QoQ to 3.18% due to decline in yields. Disbursements during Q4FY19 declined by 8% QoQ/2% YoY to Rs 8562 cr. PNB housing finance maintained excess liquidity of Rs 7000 cr in form of cash and liquid investments as on 31st Mar 2019. At the same time, PNBHFL did not face any issues in raising fund from a variety of sources. The company maintained spreads in the range of 2.6% and reported strong loan growth. Asset quality was quite healthy and best in class, with GNPA of 0.48% (stable QoQ) while NNPA at 0.38%. Due to strong performance and attractive valuation we maintain our 'Accumulate' rating with a revised target price of Rs 835.

Key Concall takeaways:

- With respect to the corporate portfolio, the company stated it has a weighted average security cover of 2.2x and cash recoverable of over 1.5x. Despite this, the company is continuously monitoring the portfolio to identify early warning signal.
- On the corporate lending front, 70% of the disbursements during FY19 were to repeat customers which are time-tested and proven ones. Top 10 developers constitute >60% of the book.
- PNBHFL has marked 5 developers account as stressed having an exposure of Rs 908 cr, of this, Rs 600 cr accounts are of serious concern which are standard and under resolution. Of this total exposure, Rs 845 cr is stage 1.
- The company stated it would remain cautious in lending to the corporate segment over the next few months.
- The company's total exposure to Supertech is Rs. 2.72 bn across two product lines, namely, construction finance and corporate term loan. Exposure to Lodha is Rs. 12 bn which has never defaulted.
- Cost of borrowing during Q4FY19 was 8.28%.
- Total number of employees as of March 2019 was 1,609.

Valuation

We believe PNB housing finance will continue to deliver strong growth while maintaining asset quality and liquidity in its book. Management's cautious stance on corporate book may moderate the disbursement growth in the near term. PNBHFL's Tier-1 ratio stood at 11% as of FY19. We have pegged a multiple of 1.4(x) to FY 21E ABV & arrived at a fair value of Rs 835 per share. At CMP of Rs 700 the stock is available at its FY 21E P/ABV of 1.2(x). We have an "Accumulate" rating on the stock.

Financial Snapshot:

(Rs Cr)	FY19	FY 20 E	FY 21 E
Net interest income	2,064	2,424	3,012
Operating Profit	1,923	2,198	2,666
PAT	1,192	1,347	1,613
EPS (Rs)	71	80	96
P/E (x)	9.8	8.7	7.3
ABV	433	507	596
P/ABV (x)	1.6	1.4	1.2

Q4FY19 Financial Snapshot:**Reported Quarterly Results (Rs. Cr)**

Particulars	Q4FY19	Q4 FY18	YoY(%)	Q3FY19	QoQ(%)
Income:					
Interest Income	1893	1424	32.9	1764	7.3
Fees & Other operating Income	108	72	50.6	109.5	-1.4
Net gain on fair value changes	50	26	93.1	52	-2.7
Income on derecognised (assigned) loans	94	116	-19.2	152	-38.4
Income from operations	2145	1638	31.0	2078	3.2
NII	610	541	12.7	558	9.3
Expenditure:					
Finance cost	1428	1026	39.2	1410	1.2
Employee benefit expenses	91	46	100.2	81	12.6
Fees and commission expenses	8	22	-63.8	13	-39.2
Other expenses	57	76	-25.3	55	4.2
Depreciation expense	9	7	31.4	8	21.1
Provisions and write - offs	10	85	-88.1	70	-85.6
Total Expenditure	1603	1261	27.1	1637	-2.1
Profit before Other Income	542	377	43.8	441	23.0
Other Income	3	0		1	
Profit Before Tax	545	377	44.4	441	23.6
Tax Expenses	165	126	31.5	139	19.3
Net Profit After Tax	380	252	50.9	303	25.3
EPS(basic)	23	15		18	
Disbursements (During the quarter)	8562	8739	-2.0	9345	-8.4
(%)					
GNPA	0.48	0.33		0.47	
NNPA	0.38	0.25		0.37	
NIM	3.18	3.00		3.06	
Total CRAR (%)	13.98	16.69		14.49	
Tier 1 (%)	11.00	12.77		11.37	
Tier 2 (%)	2.98	3.92		3.12	

Income Statement

Year to 31st March (Rs.Cr)	FY19	FY 20E	FY 21E
Interest Income	7,230	9,399	12,219
Interest Expenses	5,166	6,975	9,207
NII	2,064	2,424	3,012
Non-Interest Income	453	544	653
Operating Income	2,517	2,968	3,665
Operating Expenses	594	770	999
Gross Profits	1,923	2,198	2,666
Provisions	189	217	293
Profit Before Provision and Tax	1,734	1,981	2,372
Tax	543	634	759
Tax Rate (%)	31	32	32
Profit After Taxes	1,192	1,347	1,613
Profit Growth (%)	42%	13%	20%

Balance Sheet

As on 31st March (Rs. cr)	FY19	FY 20E	FY 21E
LIABILITIES			
Capital	167	167	167
Reserves & Surplus	7,376	8,723	10,337
Netwoth	7,544	8,891	10,504
Borrowings(Long term + Short term)	71,859	84,793	99,209
Other liabilities & provisions	4,467	4,963	5,565
Total Liabilities	83,870	98,648	115,278
ASSETS			
Investments	4,561	4,789	5,028
Cash	4,034	4,437	4,881
Advances	74,288	88,403	104,315
Fixed assets	108	114	119
Other assets	879	905	934
Total Assets	83,870	98,648	115,278

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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